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FISCAL IMPACT STATEMENT

LS 6519

BILL NUMBER: HB 1434

NOTE PREPARED: Feb 16, 2004

BILL AMENDED:

SUBJECT: Microenterprise Development Program.

FIRST AUTHOR: Rep. Crawford

FIRST SPONSOR: Sen. Server

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill establishes the Microenterprise Development Program and the Microenterprise Development Fund.

Effective Date: July 1, 2005.

Explanation of State Expenditures: The bill requires the Indiana Economic Development Corporation (IEDC) to establish the Microenterprise Development Program beginning July 1, 2005. Under the Program, the IEDC would make grants to nonprofit organizations that provide services to low-income "microenterprises. The bill defines a microenterprise as a business that has fewer than 5 employees and lacks access to conventional loans, equity, or other banking services. The bill also establishes the Microenterprise Development Fund to be administered by the IEDC. Money in the Fund would be utilized to make grants and pay administrative costs of the Program. The bill does not make an appropriation to the Fund.

It is estimated that the IEDC could potentially require an EMS VII staff member to manage the Microenterprise Development Program. The total cost for the staff member, including salary, fringe benefits, and indirect costs, is estimated to be \$54,753 in FY 2005. This estimate is based on past staffing of the Neighborhood Assistance Program and Community Development Action Grant Program by the Indiana Department of Commerce.

Background: The Microenterprise Development Program is required to provide grants to "microenterprise development organizations - nonprofit entities that provide services to low-income microenterprises. The grants must be used by these organizations to provide training and technical assistance to low-income microenterprises, including assistance in obtaining financial services and enhancing business planning, marketing, management, and financial management skills of microenterprises. In addition, the bill requires

that microenterprise development organizations ensure that at least 50% of grant funds are used to benefit persons whose income doesn't exceed 150% of the federal poverty level. The bill specifies criteria that the IEDC must consider in awarding a grant to an organization.

The Microenterprise Development Fund is established to provide microenterprise development grants and to pay the costs of administering the Program. The Fund is nonreverting and consists of amounts appropriated by the General Assembly and donations, grants, and money received from any other source. The bill does not make an appropriation to the Fund. The bill requires money appropriated to the Program to be matched by an equal amount of money not appropriated by the General Assembly. The bill requires the IEDC to administer the Fund and the Treasurer of State to invest the unobligated money in the Fund. The bill also requires that the Fund is subject to annual audit by the State Board of Accounts.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Economic Development Corporation; Treasurer of State; State Board of Accounts.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Jim Landers, 317-232-9869.